

Indiana

Department of Local Government Finance



Committed to a fair and equitable property tax system for Hoosier taxpayers.

Public Hearing on Reassessment of Real Property in Sullivan County

**Department of Local Government Finance
Resolution #2007-08**

Superior Courtroom, Sullivan County Courthouse
Sullivan, Indiana
September 20, 2007



Agenda

- **Public hearing will run from 10:00 a.m. – 12:00 p.m.**
- **The Need For Reassessment Of Real Property**
 - Accuracy and Equity
 - Lack of Adjustments to Commercial and Industrial Properties
- **How The Reassessment Will Be Handled**
 - Commercial and Industrial Properties
- **Opportunity For Public Comments**
 - Elected/Appointed Sullivan County Officials
 - Floor will be open for public comment
 - **Please note that each speaker is limited to 3 minutes for comments**

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The Need For Reassessment Of Real Property

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The Need for Reassessment of Real Property

o Accuracy of Assessments

Accuracy refers to how close the assessments determined by local assessing officials are to market value-in-use

o Equity of Assessments

Equity refers to how uniform assessments are within a class of property or geographic area



The Need for Reassessment of Real Property

- o Accuracy and equity are measured by conducting a statistical analysis known as an assessment-to-sales ratio study
- o The basic statistic in an assessment-to-sales ratio study is an assessment ratio

$$\text{Assessed Value} \div \text{Sale Price} = \text{Ratio}$$



The Need for Reassessment of Real Property

- o Assessment ratio for all properties in Indiana is to be 100%

$$\text{Assessed Value} \div \text{Sale Price} = \text{Ratio}$$

Example 1: $\$60,000 \div \$60,000 = 100\%$

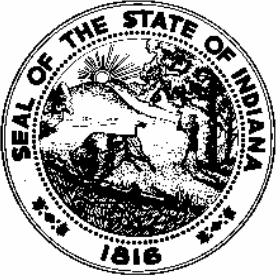
Example 2: $\$54,000 \div \$60,000 = 90\%$

Example 3: $\$66,000 \div \$60,000 = 110\%$



The Need for Reassessment of Real Property

- o Using these ratios from sold properties and grouping them by township and class, an assessment-to-sales ratio study determines if assessments are accurate and equitable



The Need for Reassessment of Real Property

Statistical Measures

- o **Accuracy** is measured by the median ratio
 - o The median ratio is the “average” level of assessment for a class of property
- o **Equity** is measured by the coefficient of dispersion (COD)
 - o The coefficient of dispersion (COD) gives the relative dispersion, or variability of assessments from the median



The Need for Reassessment of Real Property

Standards

- o 50 IAC 21, the administrative rule governing annual adjustments sets the following standards for assessments:
 - o **Accuracy** – The median ratio for any class of property in a township should fall between 90% and 110%
 - o **Equity** - the coefficient of dispersion (COD) should be:
 - o $\leq 15\%$ on improved residential property; and
 - o $\leq 20\%$ on all other classes



The Need for Reassessment of Real Property

Standards

- o **Regressivity/Progressivity** – The Price Related Differential (PRD), which measures uniformity, for any class of property in a township should be between .98 and 1.03.



Results of Sullivan County Ratio Study

Accuracy

- o Unimproved residential property assessments in Turman Township were outside of the acceptable range of assessment accuracy required by 50 IAC 21.
- o Unimproved commercial property assessments in Curry Township and Haddon Township were outside of the acceptable range of assessment accuracy required by 50 IAC 21.



Results of Sullivan County Ratio Study

Equity

- o Unimproved commercial property assessments in Curry Township and Haddon Township were outside of the acceptable range of assessment equity required by 50 IAC 21.



Results of Sullivan County Ratio Study

Uniformity

- o The PRD for Unimproved Residential property in Jefferson Township was outside of the standard for assessment uniformity.



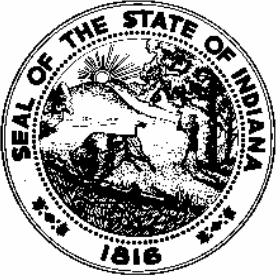
Lack of Adjustments to Commercial and Industrial Properties

- o Analysis of Assessment Changes from 2005 to the 2006 assessment year revealed the following:
 - 1) A county-wide analysis of gross assessed values of commercial parcels revealed that ninety-two percent (92%) of these parcels had no change or a decline in assessed values from the 2005 assessment year to the 2006 assessment year.



Lack of Adjustments to Commercial and Industrial Properties

- o Analysis of Assessment Changes from 2005 to the 2006 assessment year revealed the following:
 - 1) A county-wide analysis of gross assessed values of industrial parcels revealed that ninety-six percent (96%) of these parcels had no change or a decline in assessed values from the 2005 assessment year to the 2006 assessment year.



How the Reassessment Will be Handled

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Securing a Vendor

- o Sullivan County officials may retain their vendor to conduct the reassessment. If Sullivan County desires a different vendor, they must go through the Special Procurement process of the Indiana Department of Administration.
- o The Department of Local Government Finance will have oversight of the vendor in that the vendor must be certified under 50 IAC 15-4-1 and must include in its contract the provisions required by IC 6-1.1-4-18.5 and IC 6-1.1-4-19.5
- o A checklist for these required contract provisions can be found at <http://www.in.gov/dlgf/local/assessor.html>
- o The Special Procurement process, if needed, is expected to be expedient (2 to 3 weeks)



Commercial and Industrial Properties

o **Assumptions:**

- o The underlying property data is correct
- o The Vendor will not be required to perform the work within the Sullivan County computer system
- o The Vendor will pull the values into their own system
- o The Vendor will be using 2005 pay 2006 Sullivan County Assessor Data



Commercial and Industrial Properties

- o The initial process is expected to use an updated cost approach in addition to updating land values:

$$\begin{aligned} &1999 \text{ RCN} \times \text{Cost Factor} = 2005 \text{ RCN} \\ &\quad - \text{Depreciation (6 years)} \\ &\quad = \text{Improvement Market Value} \\ &\quad \times \text{2005 Neighborhood Factor} \\ &\quad = 2005 \text{ Improvement Market Value} \\ &\quad + \text{2005 Land Market Value} \\ &\quad = 2005 \text{ Total Market Value} \end{aligned}$$

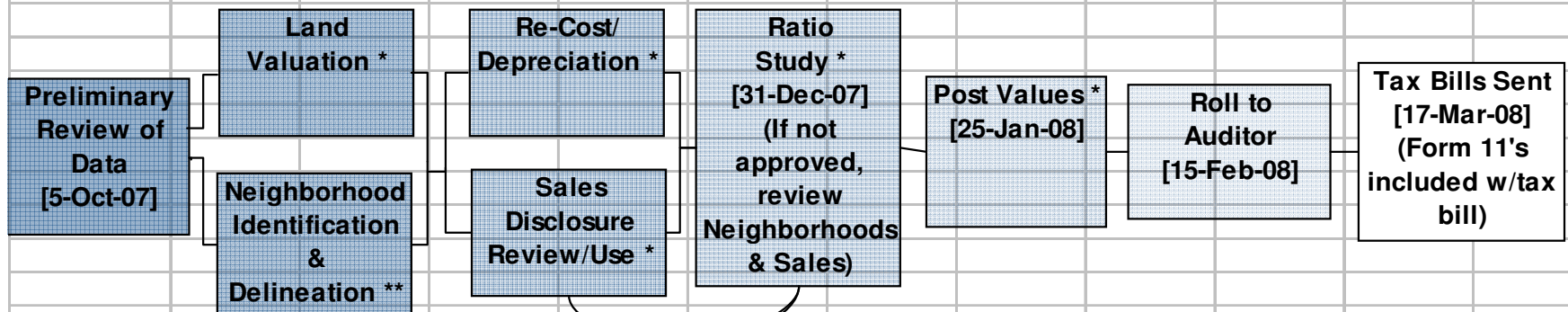


Commercial and Industrial Properties

- o The Neighborhood Factor (or Annual Adjustment Factor) will be based on Sales Disclosures from 2004 and 2005, with a January 1, 2005 valuation date
- o The Department will review and approve the reassessment work throughout the process
- o The reassessment of real property is expected to be completed by December 31, 2007, and assessed values shall be rolled to the County Auditor by February 15, 2008



Timeline for Sullivan County Commercial and Industrial Reassessments



* DLGF Review and Approval Process

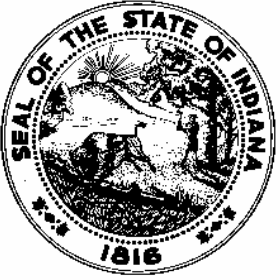
** Report on how Neighborhoods are defined

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Possible Outcomes of Public Hearing

- o Reassessment Order Issued for Commercial and Industrial Property
- o Assessment Directive Issued to Correct Issues with Commercial and Industrial Property Assessments
- o Evidence Presented – No Further Action Taken



Comments & Questions

Please email written comments and questions
regarding the reassessment to:

sullivanreassessment@dlgf.in.gov

(No phone comments will be accepted)